საქართველოს ეროვნული ბანკი
National Bank of Georgia

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The National Bank of Georgia decided to keep the monetary policy rate unchanged at 8.0 percent

On September 10, 2025, the Monetary Policy Committee of the National Bank of Georgia (NBG) decided to keep the monetary policy rate (refinancing rate) unchanged. The monetary policy rate stands at 8 percent.

As of August 2025, the overall price level in Georgia increased by 4.6 percent year-on-year. The moderate increase in inflation relative to the 3 percent target was mainly driven by rising food prices, which are characterized by high volatility. Notably, core inflation, which excludes from the consumer basket the most volatile components, such as food, energy, and tobacco, remained below the 3 percent target, standing at 2.8 percent in August. Apart from core inflation, other measures of relatively sticky prices have moderately ticked up, which keeps the risks of inflation expectations noteworthy. Specifically, service sector inflation reached 4.2 percent in August. Meanwhile, prices of imported goods remain in deflationary territory, largely reflecting the year-on-year decline in fuel prices.

As expected under the NBG's central scenario, inflation is temporarily remaining above the target level and is projected to average around 3.8 percent in 2025. Despite current inflation being primarily driven by temporary supply-side factors, the NBG still chooses a cautious stance to prevent the ongoing price increases from getting entrenched in long-term inflation expectations. Consequently, inflation is projected to stabilize around 3 percent over the medium term.

At the same time, as anticipated, economic activity is exhibiting a gradual convergence toward its long-term trend, thereby mitigating demand-side pressures on prices. Specifically, economic growth amounted to 6.5 percent in July. The normalization of aggregate demand toward its long-run trend is further supported by tighter financial conditions, as reflected in prevailing market interest rates.

Amid elevated global uncertainty, inflation risks, both to the upside and downside, remain noteworthy. Accordingly, the Monetary Policy Committee considered both high-inflation and low-inflation risk scenarios. On the one hand, U.S. tariff policy remains uncertain, and its final configuration has been revised on multiple occasions. This situation further reinforces global economic fragmentation. As a result, supply chain disruptions may emerge, potentially contributing to the development of a stagflationary environment. Moreover, the re-escalation of geopolitical tensions in the Middle East would generate inflationary risks, as it exerts significant pressure on global oil markets. At the same time, when considering a high-inflation scenario, tendencies in the domestic economy also warrant attention. Specifically, other things equal, a moderate increase in the overall price level above the target is expected to be temporary, driven mainly by base effects and one-off adjustments in food prices.

However, if inflation remains above the target for a prolonged period, this could give rise to risks of elevated inflation expectations. The realization of these risks require a higher interest rate path compared to the central scenario.

On the other hand, the Monetary Policy Committee considered a low-inflation risk scenario, where the realization of the risks would shape the development of fundamental factors in a way that requires a lower trajectory of the monetary policy rate compared to the central scenario. International food commodity prices exhibit high volatility; however, should prices normalize more rapidly than expected, this adjustment would be transmitted to the domestic market. At the same time, the U.S. dollar index (DXY) remains relatively weak globally. If these dynamics persist longer than anticipated, the combination of an appreciated exchange rate and a declining trend in international food commodity prices is expected to exert downward pressure on headline inflation through lower imported inflation.

As a result of macroeconomic analysis and the assessment of existing risks, the Monetary Policy Committee has considered it optimal to maintain a moderately tight monetary policy stance and kept the policy rate unchanged at 8 percent. Upcoming decisions on the monetary policy rate will depend on updated macroeconomic forecast scenarios and risk assessments.

The NBG will use all available instruments to maintain price stability. This means keeping the overall price level increase close to the 3 percent target over the medium term.

The next meeting of the Monetary Policy Committee will be held on November 5, 2025.